

Ms. Leilani Farha
Special Rapporteur on adequate housing
Special Procedures Branch
OHCHR
Palais des Nations
1211 Geneva

Zurich, January 27, 2020

Your letter of November 25, 2019, regarding the right to adequate housing

Dear Ms. Farha

We refer to your letter dated November 25, 2019, to Mr. Tidjane Thiam, CEO of Credit Suisse Group, which has been forwarded to us for direct reply. Reference is also made to the cover letter from Credit Suisse Group AG which sets the organizational context and describes the respective owners general approach to human rights due diligence. The explanations provided in the cover letter will not be reiterated here unless required for the understanding of the context.

The «Schorenweg» property in Basel mentioned in your letter is owned by SIAT Immobilien AG, a real estate company that belongs to the publicly listed Real Estate Fund Siat («CS REF Siat»). The CS REF Siat is managed by Credit Suisse Asset Management (Switzerland) Ltd. («CSAM»). It invests primarily in multi-family dwellings in large and mid-sized urban centers, as well as their metropolitan areas. The fund has both institutional and private investors. At Credit Suisse alone, more than 2300 clients hold units in the CS REF Siat which represent about 38.5% of the fund's total market capitalization. The remaining 61.5% unitholders are clients of other banks. From the 38.5% held by Credit Suisse clients, more than 78% are held by institutional investors (pension funds, insurance companies, health insurance companies and fund of funds) (figures as per September 30, 2019).

General Remarks

The housing situation in the city of Basel differs from the situation in other larger Swiss cities, especially in the region of Zurich. The vacancy rate, i.e. the relative amount of vacant apartments, in Basel stands at 1%, which is ten times higher than in the city of Zurich. According to the Federal Office of Housing, a vacancy rate of 1% implies that there is no housing shortage, even if the limit of a functioning housing market of 1.5% has not yet been reached.

The Schorenweg buildings are situated in the Hirzbrunnenquartier, which is characterized by other high-rises and multi-family homes.

At the launch of the Schorenweg project, 50% of the tenants were below the age of 65, 10% between 65 and 75, and 15% over 75. However, we became aware that we lack statistical data

for tenants with older leases, some of which date back more than 30 years. In the interest of these tenants and for practical reasons, we included these 25% of tenants in the group of vulnerable residents of our buildings when conducting our due diligence.

Definition of the project scope

The two high-rise buildings on Schorenweg were built almost 60 years ago in 1961. Following a comprehensive technical review of the condition of the buildings the conclusion was reached that material structural measures, in addition to the renovation of the façade, were essential to comply with today's fire and earthquake safety requirements. The option to perform the renovation without vacating the buildings was seriously explored but, unfortunately, had to be rejected due to the deepness of the structural measures required which would have put the security and health of the tenants and the public in general at risk. Furthermore, the emissions would have created unacceptable burdens on tenants living in the buildings.

Apart from the clearly established need for substantive, comprehensive measures with a view to comply with current safety standards, more future oriented considerations played an important role in the design of the envisioned measures: with a view to increasing societal expectations regarding sustainability and in anticipating future regulation on building safety, the refurbishment of the façade and windows does not stop at complying with existing law but will comply with the «Minergie standard» (an official Swiss construction standard for new and refurbished buildings characterized by an elevated living comfort, very low energy consumption and the highest possible proportion of renewable energies).

Due Diligence

CSAM as investment manager of the CS REF Siat has considered all interests at stake in the Schorenweg project very carefully and took into account the social, economic and political reality in Switzerland and the region of Basel.

We support the UN Guiding Principles on Business and Human Rights (UNGPR) and the related corporate responsibility to respect human rights. The UNGPR outline the expectation towards enterprises to apply a «risk-based approach» in conducting their due diligence, i.e. to prioritize measures based on the significance of risk and the severity of the impact. This prioritization allows to identify general areas where the risk of adverse impact is most significant.

Switzerland having an established rule of law and a strong legal protection of tenants' rights, the primary focus of the due diligence in the context of the project Schorenweg was and is on compliance with all relevant legal aspects, in particular tenancy law and building law, complemented by additional environmental and human rights considerations that go beyond what is required by Swiss law.

Risk assessment

When conducting our due diligence process, we identified a number of potential negative human rights impacts for the tenants. These include, among others, involuntary relocation, difficulties in finding new accommodation in the same city and the loss of social network. We identified elderly tenants as a particularly vulnerable group. In order to address and mitigate these issues for the affected people and vulnerable groups in particular, various measures that go beyond Swiss legal requirements were initiated after concluding that vacating the property was unavoidable (as mentioned above):

Early Information

Tenants and key stakeholders were informed about the project at an early stage. The termination of the rental agreements was given with a notice period of 12 months (for building 1) and 24 months (for building 2) and therefore well in advance of the statutory notice period of three months. The aim of this early communication was to give all tenants sufficient time to find alternative suitable options.

Support to tenants

All tenants were offered comprehensive support in the search for new housing and many made use of this offer.

This support consisted, amongst other things, in assisting in the application process for other apartments, in issuing – upon request – reference letters, in making recommendations to other property managers and landlords.

Furthermore, tenants wanting to move out before the final date of the rental agreement were allowed to do so with just a notice period of 30 days (instead of 3 months) to the end of any month; this gave them larger flexibility when finding a new apartment and allowed them to reduce costs that could otherwise have resulted.

Tenants were also proactively given a one-off payment to compensate for the inconveniences while moving out (for 1.5-room apartments: CHF 400; 2.5-room apartments: CHF 500; 3.5-room apartments: CHF 750; 4.5-room apartments: CHF 1,000).

Two additional measures were taken for tenants over the age of 65: (i) establishment and funding of an independent advisory service specializing in age issues with regular office hours and (ii) connecting our tenants with «Älter Basel» (www.aelterbasel.ch), a recognized public-private partnership supporting the needs of elderly people in the region of Basel, to support elderly tenants in the search for a new apartment.

Applications of current or former tenants for moving back into one of the apartments once the renovation work is completed will be reviewed with priority. The target rents will be aligned with local rents in the surrounding residential areas.

The effectiveness of these support measures is proven by the fact that to date 107 out of 196 tenants were able to find alternative housing and have already moved out of the Schorenweg buildings. 76 of these tenants have found an alternative apartment in the city of Basel, 8 of them found a new dwelling in neighboring communities. 35 of the aforementioned 107 tenants could accept an offer for an apartment in our existing real estate portfolio in the city of Basel.

Our support measures remain in place for all tenants who did not yet find new housing.

Legal proceedings

Switzerland has a well-developed rule of law that protects the rights of tenants and homeowners, and gives them access to fair legal proceedings in case of disputes. A range of tenants have made use of these options. Based on all ongoing and taken measures minimizing and mitigating adverse impact and the level of our diligence, we are confident that the courts will support our position. Of course, our main goal remains to find an acceptable settlement for all parties.

Conclusion

As outlined above, we consider that CSAM has exercised an adequate level of due diligence in «Schorenweg» renovation project which is in accordance with the UNGP. Comprehensive measures to effectively mitigate and reduce human rights risks for the affected parties have been implemented and we will continue our efforts to support tenants in finding adequate solutions.

Yours sincerely

Credit Suisse Asset Management (Switzerland) Ltd.



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